



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: December 1, 2010 REPORT NO:
ATTENTION: Budget and Finance Committee
SUBJECT: Update on Reengineering Program and Presentation of Delivery
Services Business Process Reengineering Report
REFERENCE: Delivery Services Business Process Reengineering Final Report

REQUESTED ACTION:

Forward the report to full Council to consider the Delivery Services Business Process Reengineering (BPR) Study's recommendations.

STAFF RECOMMENDATION

Forward the report to full Council to consider the Delivery Services BPR Study's recommendations.

BACKGROUND

The Mayor commenced BPR efforts to improve efficiencies, reduce the cost of City government and maximize the services offered to residents and customers. BPR focuses on optimizing the efficiency and effectiveness of operational processes and functional work groups. On July 31, 2006, the City Council adopted Ordinance O-19523, establishing a policy for the implementation of Business Process Reengineering Results (Report to City Council No. 06-094).

From Fiscal Year (FY) 2007 to present, the 19 BPRs already approved by Council have resulted in reductions of over 400 full time equivalent personnel and annual savings of over \$39 million. In addition, BPRs have resulted in nearly \$4.6 million in cost avoidance (effectiveness savings), which—while not actual budget reductions—are efficiencies that permit staff to focus on other productive work.

In addition the City continues its work on efficiency and effectiveness improvements beyond BPR studies. The Mayor's Business Office conducts efficiency studies, which involve tools other than BPR to identify savings via organization changes, consolidation and coordination of redundant services, and updated policies. Completed efficiency studies include:

- Air Operations – brought together representatives of the Police and Fire-Rescue air operations groups to identify efficiencies as a result of working together
- Central Stores – consolidated several departmentally-operated storerooms into Central Stores and permitted the reduction of three positions in the FY2011 budget
- City Planning & Community Investment (CPCI) – explored streamlining and training issues within CPCI and in coordination with Development Services
- Dispatch – assembled the dispatch leaders from Police, Fire-Rescue, General Services, and Lifeguards to explore synergies and to plan for future capabilities
- Engineering & Capital Projects Capital Improvement Project (CIP) Delivery – compared San Diego's and Sacramento's CIP project delivery workload levels to determine if they are a factor in San Diego's higher project delivery costs (Sacramento has been identified as one of the leaders in California for delivering cost effective CIPs)
- Facilities Management – facilitated collaboration between General Services' Facilities Maintenance Division and the Real Estate Assets Department
- Training – explored ways to reduce redundancy and increase communication between the City's various training organizations.

Efficiency studies currently ongoing include:

- Animal services costs and fees – compares the services, fees, and costs associated with animal services in San Diego to the largest cities in California. Aims to implement best practices in animal services in the County, which provides animal services to the City under contract, as well as ensure the fee structure is adequate for cost recovery and comparable to other jurisdictions
- Business Regulation and Taxation – leverages the Treasurer's Tax Collection System (TTCS) to streamline the process for businesses to obtain licenses and permits from the Treasurer's Office, Police, Fire Prevention Bureau, Development Services, and Engineering and Capital Projects' Transportation group
- City-wide Copier and Print Services – assesses the distribution and usage of printers and copiers throughout the City
- Contracting Reinvention – explores ways to shorten the length of the procurement and contract execution process
- Fire Prevention Bureau – studies the Bureau's obligations, designs an organization to provide services more efficiently, and calculates new cost-recoverable fees as a result of the new approach
- Fleet optimization – finds efficiencies and cost savings through the identification and re-assignment of underutilized vehicles and assesses whether it would be more cost-effective to assign vehicles to employees receiving high levels of mileage reimbursement for using their personal vehicles
- Fleet warehouse – identifies best practices that could be implemented to improve the efficiency of the parts operation within the Fleet Maintenance Division
- Parking enforcement – identifies the roles and responsibilities related to parking services to ensure they are assigned to the correct department so that efforts are not duplicated
- Police Fees – studies whether revenue collections are being optimized, within the resource levels provided.

- Regional consolidation of services – surveys other San Diego County public entities to understand their potential interest in procuring service delivery from other public entities or providing them at cost to other entities.

In addition to working on the above listed efficiency studies and the Delivery BPR that the rest of this Report to Council addresses, currently, Business Office staff is devoted to re-launching the Managed Competition program, which is expected to yield significant savings in the future. This re-tooling for Managed Competition includes wrapping up pending studies, training all Business Office staff for Managed Competition, and launching the first two functions.

The Delivery Services Business Process Reengineering Study

The City's delivery function includes processing and delivering United States mail to or from City offices, providing interoffice correspondence pick-up and delivery between City facilities, and moving other materials between City facilities (e.g., library books, supplies, Print Shop orders). There is also a need to handle confidential material and cash.

A wide variety of City personnel participate in different aspects of the delivery function. The Departments engaged in City-wide delivery include at least those that are listed below. The following table also shows each Department's particular role in the delivery function and the resources that they use to carry-out their portion of the delivery function.

Department / Division	Delivery Functions	Resources Used
Fire-Rescue Department	Receives mail from the Mail Center and disburses it to 11 locations. Mail then is taken by the Battalion Chief to his or her six (6) or seven (7) stations daily.	<ul style="list-style-type: none"> ▪ Seven Battalion Chiefs, Light duty Firefighters ▪ Two supply vans
Library Department	Receives mail from the Mail Center, sorts materials and delivers mail and library materials among 40 locations. Also handles cash as part of their delivery duties.	<ul style="list-style-type: none"> ▪ Six Auto Messengers, one Senior Clerk/Typist, three Library Aide (1.0 FTE plus hourly staff) ▪ Five specially-equipped vans and one pick-up truck
Police Department	Receives mail from the Mail Center and processes and delivers mail to the police stations and various other locations seven days a week. This level of service is required to process criminal records in a timely manner per legal requirements.	<ul style="list-style-type: none"> ▪ Three Auto Messengers, Senior Clerk/Typist (0.10 FTE) ▪ Three vehicles
Publishing Division	Delivers large printing jobs on an as needed basis to various locations throughout the city.	<ul style="list-style-type: none"> ▪ Bindery Worker II (0.25 FTE) ▪ One van
Purchasing and Contracting	The Mail Center operation processes interoffice mail within the City along with	<ul style="list-style-type: none"> ▪ Processing incoming US mail

(P&C) - Mail Center	both inbound and outgoing United States Postal Service mail.	<ul style="list-style-type: none"> ▪ One Auto Messenger ▪ Senior Clerk/Typist (0.6 FTE) ▪ Part-time use of one City vehicle Interoffice delivery <ul style="list-style-type: none"> ▪ Four Auto Messengers ▪ Full-time use of three City vehicles Processing outgoing US mail <ul style="list-style-type: none"> ▪ One Auto Messenger ▪ Senior Clerk/Typist (0.4 FTE)
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The actual number of employees and resources performing some sort of delivery function outside of their normal job duties cost the City approximately \$1.2m annually and includes up to 22.6 FTE and 16 vehicles. The BPR charter established for this study had a target of 15% reduction in costs through consolidation, while maintaining effectiveness. Specific objectives included:

1. Identify appropriate service levels for the delivery function.
2. Improve effectiveness and efficiency of service delivery and performance measurement by establishing or revising processes and/or making better use of technology.
3. Determine the Most Efficient Government Organization (MEGO) for delivery services, including an organization structure that documents necessary job duties, titles and reporting relationships. The MEGO should incorporate recommendations for efficiency improvement and describe the most efficient process for City service delivery.
4. Identify and clarify roles and responsibilities of City departments which perform work related to delivery services.

The BPR team undertook the following tasks in order to meet the study objectives:

1. Define the scope of work, including definition of core and non-core activities and services
2. Delineate appropriate performance metrics to enable the group to monitor the impact of the study and the efficiency and effectiveness of service delivery after study completion
3. Gather and analyze pertinent and relevant data (e.g., cost information)
4. Benchmark all significant core functions with other comparable jurisdictions, government entities, and private companies
5. Identify best practices currently being used by other similar organizations
6. Conduct "As Is" process analysis
7. Determine "To Be" processes
8. Conduct gap analysis between "As Is" and "To Be"
9. Develop recommendations for the MEGO
10. Develop implementation plan
11. Prepare reengineering report and briefings

As a result, the team was able to achieve the following objectives stated in the Project Charter:

1. Objective: Identify appropriate service levels for the delivery function.
Result: Based on feedback from a City wide survey, one to two business days is an acceptable delivery interval for all City deliveries.
2. Objective: Improve effectiveness and efficiency of service delivery and performance measurement by establishing or revising processes and/or making better use of technology.
Result: This study recommends consolidating the separate delivery functions of several departments, which was facilitated by computer-based modeling analysis. Technological substitutes for delivering documents were also explored, and further study is recommended.
3. Objective Determine the Most Efficient Government Organization (MEGO) for delivery services, including an organization structure that documents necessary job duties, titles and reporting relationships. The MEGO should incorporate recommendations for efficiency improvement and describe the most efficient process for City service delivery.
Result: This study recommends consolidating the separate delivery functions of the Mail Room, Fire-Rescue Department, Library, Police Department, and Print Shop, which will permit the reduction of personnel and vehicles.
4. Objective: Identify and clarify roles and responsibilities of City departments which perform work related to delivery services.
Result: The MEGO delineates responsibilities.

Recommendations

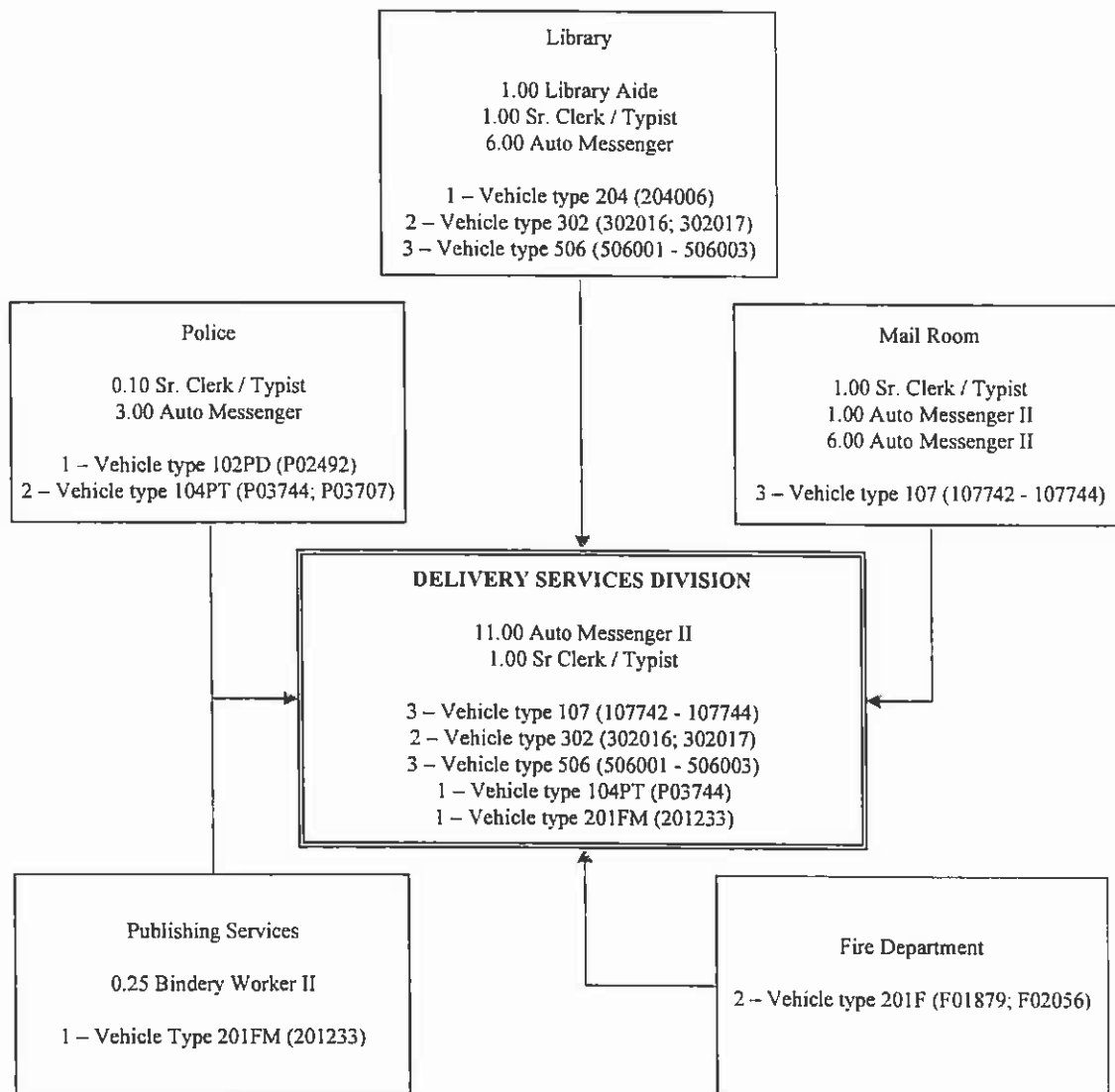
Consolidating from 19 FTEs in five departments dedicated to the delivery function to 12 FTEs in the newly structured Delivery Services division within the Purchasing and Contracting Department's Mailroom division would improve the efficiency of delivering items to City facilities. City vehicle expenditures could be reduced since the centralized delivery function would require fewer dedicated vehicles than the total of current department specific vehicles. A centralized facility would be set up at Building 30 at 20th & B. Real Estate Assets Department would need to evaluate how to use the space in CAB, Police headquarters, and the Library facility on Sandrock Road that would be made available by the consolidation. Materials handled by this consolidated delivery group include mail, library books, confidential information, print jobs, and supplies; materials excluded from this new service include City Clerk docket-runner activities, City Attorney court-runner activities, and large/heavy items like some Fire-Rescue Department equipment.

The following table summarizes the BPR study's recommendations, their expected impact, and their anticipated implementation schedule. The recommendations in this report are based on current delivery procedures inclusive of automation processes already in place. To implement these recommendations, personnel and vehicles will be moved into the MEGO, as illustrated in the following organization chart and documented in the Budget Crosswalk presented in Appendix A.

Recommendation	Impact	Implementation Schedule (after BPR approval)
Initiate an existing processes and procedures review to ensure they are all taken into consideration in the new hub	<ul style="list-style-type: none"> Organize a small committee Evaluate for relevance in the consolidated function 	Immediately after approval
Make structural improvements to the 20th & B Building 30	Create the new central delivery center using Fiscal Year 2011 savings as much as possible	Within two months
Install shelving hardware in vehicles to accommodate transporting materials / mail	Adapt fleet (as needed) to support the centralized delivery function	Within one month
Personnel initiates study on impacted jobs and staff	Transition staff out of the impacted jobs and staff	Within one month of approval
Perform Contractor-Security background checks and transition centralized delivery staff and equipment to the new delivery hub	<ul style="list-style-type: none"> Consolidate staff and equipment into the operational facility Reduce number of sorting facilities 	Within one month of approval
Promote secured mail bag procedures for payroll / confidential mail / daily library cash deposits	Reduce volume of hand carried mail / improve cash handling process	Within two months ¹
Reduce jobs and equipment previously involved in the delivery services from department budgets	<ul style="list-style-type: none"> Reduce seven FTEs Reduce five vehicles 	July 1, 2011 ²
Continue to progressively reduce unnecessary hardcopy requirements by supporting automated resources	Continue to reduce the volume of physical correspondence exchanged between facilities	On-going as enhancements to SAP are implemented
Continue to streamline the delivery of library books and other resources by implementing a floating collection process	Continue to monitor the volume of physical items exchanged between library branches	Currently being tested by the Library Department

¹ Library department is already purchasing tamper resistant bags that will be used for cash handling

² Actual savings will begin in Fiscal Year 2011 and will be used to help offset facility improvements required as part of the centralization of resources. Budgetary adjustments will be reflected in the impacted department's budget allocations effective July 1, 2012.



Affected Positions

To support a recommended combined delivery function, personnel will sort materials and deliver them, either on foot or by vehicle. Based on the recommended consolidated services and number of required delivery routes, the staffing of the revised delivery functions will have the following requirements:

- New delivery functions will require 12.00 FTEs
 - 11.00 Auto-Messenger II will perform delivery and sorting functions
 - 1.00 Senior Clerk / Typist will perform supervisory functions
- The staff will rotate delivery and sorting functions throughout the work week
- Centralized delivery staff will be required to undergo a Contractor-Security Clearance investigation issued by the Police Department. Police civilian background checks would be required for police sorting functions located inside police headquarters
- The Auto Messengers will have a lifting requirement based on City Personnel guidelines.

To create a centralized delivery function, some existing positions will need to be reclassified and staff moved. Additionally, the consolidation will eliminate positions that would become unnecessary once the hub is operational. The following table summarizes the proposed staffing changes.

Current Group	Position	# FTEs
Library	Senior Clerk/Typist	1.0
Library	Library Aide	1.0
Library	Auto Messenger I	6.0
Mail Room	Senior Clerk/Typist	1.0
Mail Room	Auto Messenger I	1.0
Mail Room	Auto Messenger II	6.0
Police	Senior Clerk/Typist	0.10
Police	Auto Messenger I	3.0
Publishing Services	Bindery Worker II	0.25
Recommended Group	Position	# FTEs
Delivery Services	Senior Clerk/Typist	1.0
Delivery Services	Auto Messenger II	11.0
Police	Senior Clerk/Typist	0.10 ³
Publishing Services	Bindery Worker II	0.10 ⁴
Difference		
	Senior Clerk/Typist	(1.0)
	Library Aide	(1.0)
	Auto Messenger I	(9.0)
	Auto Messenger II	4.0
	Bindery Worker II	(0.15)

Given that part of the centralized delivery functions and most of the jobs are already allocated in the mail room division within the Purchasing and Contracting Department, it is recommended that the required resources be centralized in the pre-existing mail room division as reflected in the Financial Crosswalk presented in Appendix A. The Human Resources Department will be working with the impacted labor organizations to address potential labor conditions as a consequence to the restructuring of the delivery functions. Any issues discussed during the meetings will be resolved before the BPR is presented to City Council for approval.

Delivery Services Fleet

The existing inventory includes 15 vehicles operated by the five groups currently conducting deliveries. The combined route analysis results in a maximum of 16 routes at any given day of the week, so the number of vehicles dedicated to delivery may be reduced to a minimum of ten.

³ The Police Senior Clerk/Typist has been supervising the three Auto Messengers. After the consolidation, this fraction of a position will remain with Police to coordinate delivery issues within Police Headquarters

⁴ One tenth of a Bindery Worker will remain with Publishing Services to coordinate deliveries with the new Delivery Services group. The remaining 0.15 will be reassigned other duties within the department. Publishing Services should study its workload and adjust staffing if necessary upon receiving back the services of the one-quarter position.

To ensure greatest flexibility to carry large loads and to have two back-up vehicles to cover for primary vehicle down time, the new recommended fleet of ten vehicles should include:

- All five of the Library's trucks
- All three of the Mailroom pick-ups
- Police Department's Utility van
- Publishing Services' Cargo van.

The vehicles selected for the consolidated function allow the greatest flexibility for delivering different types of supplies and/or packages. This mix of vehicles also helps maintain back-up capability for the delivery function in case of vehicle break-down or emerging needs while cutting back on the number of vehicles that are currently devoted to delivery. It is important to note that if a larger vehicle breaks down, the department would need to temporarily lease a vehicle or rearrange scheduled deliveries to compensate for the temporary loss of the vehicle. The Library department currently has processes on how they handle similar situations and these processes will need to be evaluated/revised when the delivery function is centralized. In most cases, the year and mileage provide for a reasonable estimation of vehicle life before the inventory would need to be replaced. The remaining vehicles would be eliminated from the City's existing inventory with a few exceptions. At least one Fire vehicle would be retained by the Fire Department for non-routine, time sensitive emergency equipment and for other equipment not incorporated into the study such as Self Contained Breathing Apparatus (SCBA). However, the Fire Department's equipment will be evaluated at a future date to determine if it can be rolled into the centralized process as well as other functions as they become more automated and manageable. By eliminating these vehicles, the City will save \$29,861 in annual usage and assignment charges.

Delivery Services Facility

To create a combined delivery function, separate sorting facilities across the City would need to be combined into a single facility. Several requirements were established to select a new facility:

- Access to a loading dock or ramp area that can handle multiple vehicles at once
- Downtown location to support walking routes
- Ease of freeway access to support vehicles traveling to driving routes
- Adequate space
- Long enough time horizon available to permit return on investment to move there
- Minimal remodeling investment
- Lowest rent expense.

A variety of facilities were surveyed, including locations at 600 B Street, 20th & B, Chollas, Rose Canyon, existing Library sorting facility, future Mission Hills Library branch on Washington Street, and the Civic Center Complex. Ultimately, the team selected a new hub at Building 30 (the old General Services Administration Building at the 20th & B facilities.) The location complies with all of the requirements listed above and is also ideal since the vehicles involved in the delivery process will be able to park overnight and refuel within the same facility. The proximity will improve the amount of time available for the delivery operations by minimizing unnecessary travel. Additionally, the location is adjacent to the Central Stores One

facilities, therefore, reducing the number of vehicles and hours involved in delivering supplies purchased by specific departments that are outside of the normal delivery process and unnecessary travel as well. It is recommended that City staff perform the facility renovation work in order to proceed as expeditiously as possible.

FISCAL CONSIDERATIONS:

The table below represents the fiscal impacts of the study. Projected annual savings of approximately \$280,000 result from the recommendations, starting in FY2012; this figure exceeds the 15% savings goal set forth at the beginning of this study. Actual savings projected with the study is 23%.

Fiscal Impact Summary (FY 2011 dollars)					
		FY 2011		FY 2012	
	FTE	One-Time costs	Savings	Budget	Delivery function savings
FTE and Usage / Assignment NPE restructured into centralized delivery division	12.00	-	-	871,158	-
FTE and NPE budgetary reductions associated with the centralization of the delivery services	7.00	-	92,333*	-	277,047
PE and NPE departmental realignment of costs due to the centralization of the delivery services	0.15	-	-	-	4,666
Ongoing Police, Print Shop and Fire department delivery functions	0.20			22,560	
Facility / equipment improvement costs*	-	130,000*	-	-	-
Staff relocation costs*	-	5,500	-	-	-

* Estimated figures.

Figures are based on Fiscal Year 2011 dollars. Additional savings in utility costs associated to the current library sorting facility (located at 3440 Sandrock Road) may be attainable if the location is closed. The latest annual cost for the facility is approximately \$17,500. The savings would help offset the utility costs that will be incurred in the new hub. Currently, Building 30 is partly operational and the relocation would increase the costs for the facility. Other non-personnel expenditures would need to be identified from the current department budgets and transferred to the future centralized Delivery Services division.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

None

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Delivery Services involved the participation of the Municipal Employees Association (MEA). Delivery Services also conducted benchmarking on many aspects of operations against other local service providers and surveyed other municipalities to determine which services are provided internally. Due to the internal nature of this City service, further community participation was not sought.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

After Meet and Confer is completed with MEA and full Council approval obtained, the reductions will be incorporated into the current fiscal year budget.

Since Delivery Services will be an Internal Service Fund, direct contact with City residents and constituents is minimal to none, and as such the public should expect no change in service levels as a result of this BPR. Regarding internal customers, this BPR will maintain or enhance all current services provided to City Departments. The resulting cost savings and overall efficiencies gained through this BPR will benefit the City.

A handwritten signature in black ink, appearing to read "Wally Hill", is written over a horizontal line.

Wally Hill
Assistant Chief Operating Officer

Attachments: A. Financial Crosswalk

ATTACHMENT A

Delivery Services Financial Crosswalk

Summary of Budgetary Impacts

BPR for:		Delivery BPR		Citywide - Changes GRAND TOTAL		-7.00 (247,186)		(29,861)		0		
CURRENT FY APPROVED BUDGET				RECOMMENDED CHANGES				POST-BPR PROJECTED BUDGET				
BUDGETED DEPARTMENT / DIVISION # AND NAME	FTE	Appropriation	Revenue	Description	FTE	PE COST	NPE COST	REVENUE	DEPT #	FTE	COST	REVENUE
Library / 1713111111	8.00	485,409	0						Library / 1713111111	0.00	0	0
				FTE / Personnel Expense:								
				Reduce/Add/Transfer In/Transfer Out or Reclass (reduction with negatives):								
				Transfer Out Auto Messenger positions	-3.00	-143,703	0	0				
				Reduction of Sr. Clerk / Typist	-1.00	-75,331	0	0				
				Reduction of Library Aide	-1.00	-46,881	0	0				
				Reduction of Auto Messenger positions	-3.00	-143,703						
				Reduction of (1) vehicle (type 110LB)	0.00	0	-6,881	0				
				Transfer Out five (5) vehicles (302, 506)	0.00	0	-69,010	0				
				Department/Division Changes								
				Subtotal	-8.00	-408,718	-75,691	0				
Police / 1814151213	3.10	196,767	0	Police / 1814151213								
				FTE / Personnel Expense:								
				Reduce/Add/Transfer In/Transfer Out or Reclass (reduction with negatives):								
				Reduction of Auto Messengers	-3.00	-173,866	0	0				
				Transfer Out one (1) vehicle (type 104PT)	0.00	0	-6,408	0				
				Reduction of two (2) vehicles	0.00	0	-12,222	0				
				Department/Division Changes								
				Subtotal	-3.00	-173,868	-18,630	0				

Purchasing & Contracting / 1514110011	8.00	453,249	0						Purchasing & Contracting / 1514110011	12.00	871,158	0
				FTE / Personnel Expense:								
				Reduce/Add/Transfer In/Transfer Out or ReClass (reduction with negatives):								
				Transfer In Auto Messengers / ReClass to Auto Messenger II		4.00	261,088	0	0			
				Transfer In five (5) vehicles (302, 508)		0.00	0	69,010	0			
				Transfer In one (1) vehicle (type 104PT)		0.00	0	6,408	0			
				Transfer out one (1) vehicle (type 201FM)		0.00	0	6,072	0			
				Fund a Sr. Clerk Type I		0.00	75,331		0			
				Department/Division Changes								
				Subtotal		4.00	336,419	81,490	0			
General Services / 2113130012	0.25	16,089	0						General Services / 2113130012	0.25	10,017	0
				FTE / Personnel Expense:								
				Reduce/Add/Transfer In/Transfer Out or ReClass (reduction with negatives):								
				Transfer out one (1) vehicle (type 201FM)		0.00	0	-6,072	0			
				Department/Division Changes								
				Subtotal		0.00	0	-6,072	0			
Fire / 1912180011	0.00	21,916	0						Fire / 1912180011	0.00	10,958	0
				FTE / Personnel Expense:								
				Reduce/Add/Transfer In/Transfer Out or ReClass (reduction with negatives):								
				Reduction of one (1) vehicle (type 201F)		0.00	0	-10,958	0			
				Department/Division Changes								
				Subtotal		0.00	0	-10,958	0			

